

COUNTY OF DELAWARE
LOCAL DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

COUNTY OF DELAWARE
LOCAL DEVELOPMENT CORPORATION

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 – 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 – 5
FINANCIAL STATEMENTS	
Statements of Net Position	6
Statements of Revenues, Expenses and Changes in Net Position	7
Statements of Cash Flows	8
Notes to the Financial Statements	9 – 19
COMPLIANCE AND INTERNAL CONTROL	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20 – 21

4 Associate Drive
Oneonta, New York 13820
Phone: (607) 432-8700
Fax: (607) 432-5122
www.mmscpas.com



Deborah L. Mostert, CPA
Anthony T. Manzanero, CPA
Mary E. Manzanero, CPA
David E. Brownell, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
County of Delaware Local Development Corporation
Delhi, New York

We have audited the accompanying statements of net position of the County of Delaware Local Development Corporation (the "LDC"), as of December 31, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and statements of cash flows and the related notes for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the LDC's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the LDC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the LDC as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 – 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2020 on our consideration of the LDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LDC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the LDC's internal control over financial reporting and compliance.

Mistert, Manzanero & Scott, LLP

Oneonta, New York
March 30, 2021

COUNTY OF DELAWARE LOCAL DEVELOPMENT CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2020

As financial management of the Delaware County Local Development Corporation (the "LDC"), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the LDC for the fiscal year ended December 31, 2020. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements taken as a whole.

Budget

The LDC depends on grants, with a minimal amount of operating income, to extend its programs. The LDC files for various grants and loans to provide economic development assistance in Delaware County, notably the United States Department of Housing and Urban Development, the United States Department of Agriculture, and NYS Office of Community Renewal. However, the funding of these grants is not assured at the beginning of the year. Because the LDC does not know how much funding will be received during any year, how many loan applications will be approved, or what programs can be made available, the LDC cannot project the amount that it can use for its programs to provide an accurate budget. The LDC strictly adheres to financial procedures and requirements of New York State General Municipal Law, Article 18A, and its own bylaws, as audited by our accountants at Mostert, Manzanero & Scott, LLP.

Overview of the Financial Statements

This discussion and analysis accompanies the LDC's financial statements, notes to the financial statements and the reports on compliance and internal control to help the reader better understand the financials.

Financial Statements

The LDC's financial statements provide readers with a comprehensive reporting of the LDC's 2020 and 2019 transactions and balances. The difference between the assets and liabilities are reported as the net position. Increases or decreases in the net position are an indicator of strengthened or weakened financial position.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

The operating income for the LDC was \$72,933 for fiscal year 2020. This was a decrease of 15 % from the prior year. Net income produced an increase in net position of \$72,993. At the close of fiscal year 2020 the LDC had a net position of \$1,631,402.

COUNTY OF DELAWARE LOCAL DEVELOPMENT CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2020

The operating income for the LDC was \$85,864 for fiscal year 2019. This was an increase of 22% over the prior year. Net income produced an increase in net position of \$85,933. At the close of fiscal year 2019 the LDC had a net position of \$1,558,409.

The LDC's prime objective is to provide assistance to existing businesses and expansions and business startups with professional assistance, educational programs and loans. The LDC's loan funds are comprised of grants dedicated to this purpose and matching funds from the LDC's accumulated working capital. The revolving loan fund in the LDC's statements of net position is the major asset. For the LDC's loan funds, the financial statement shows a decrease from \$3,613,367 at year end 2019 to \$3,585,003 at year end 2020, a net decrease of \$28,364.

Goals and Accomplishments

The primary goal of the LDC is to develop low-cost financing options for Delaware County businesses for the purpose of assisting them in making new investments in their business, particularly those resulting in the creation and/or retention of jobs. Through the management of their low interest loan funds, the LDC seeks to provide new and existing businesses with access to capital to support new investment. The LDC supports local businesses in being able to leverage grant funds through a variety of Federal State and local sources.

The following is a 2020 – 2018 comparative summary of the LDC's financial statements showing the increase in net position:

COUNTY OF DELAWARE LOCAL DEVELOPMENT CORPORATION'S NET POSITION

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current assets	\$ 1,328,846	\$ 983,136	\$ 1,011,967
Non-current assets	<u>3,101,870</u>	<u>3,118,129</u>	<u>2,283,879</u>
Total assets	<u>4,430,716</u>	<u>4,101,265</u>	<u>3,295,846</u>
Current liabilities	80,868	76,845	74,364
Non-current liabilities	<u>2,718,446</u>	<u>2,466,011</u>	<u>1,749,006</u>
Total liabilities	<u>2,799,314</u>	<u>2,542,856</u>	<u>1,823,370</u>
Total net position	<u>\$ 1,631,402</u>	<u>\$ 1,558,409</u>	<u>\$ 1,472,476</u>

COUNTY OF DELAWARE LOCAL DEVELOPMENT CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2020

COUNTY OF DELAWARE LOCAL DEVELOPMENT
CORPORATION'S CHANGES IN NET POSITION

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 148,901	\$ 310,955	\$ 616,960
Operating expenses	<u>(75,968)</u>	<u>(225,091)</u>	<u>(546,848)</u>
Operating income	72,933	85,864	70,112
Non-operating income			
Investment income	<u>60</u>	<u>69</u>	<u>78</u>
Change in net position	72,993	85,933	70,190
Net position – Beginning of year	<u>1,558,409</u>	<u>1,472,476</u>	<u>1,402,286</u>
Net position – End of year	<u>\$ 1,631,402</u>	<u>\$ 1,558,409</u>	<u>\$ 1,472,476</u>

Economic Factors

The management of the LDC is not aware of any changes in economic factors or conditions since December 31, 2020 that will have any significant effect on the LDC into the future.

Requests for Information

Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Glenn Nealis, Executive Director, County of Delaware Local Development Corporation, 1 Courthouse Square, Suite 4, Delhi, New York 13753.

COUNTY OF DELAWARE LOCAL DEVELOPMENT CORPORATION

STATEMENTS OF NET POSITION

Years Ended December 31, 2020 and 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 64,968	\$ 61,279
Restricted cash	780,745	426,619
Current portion of loans and capital lease receivables	483,133	495,238
Total current assets	<u>1,328,846</u>	<u>983,136</u>
Loans and capital lease receivables - Long term, net of allowance for bad debts of \$51,240 for 2020 and 2019	<u>3,101,870</u>	<u>3,118,129</u>
Total assets	<u>4,430,716</u>	<u>4,101,265</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	284	271
Accrued interest	3,111	4,083
Current portion of debt	77,473	72,491
Total current liabilities	<u>80,868</u>	<u>76,845</u>
Long-term liabilities:		
Long-term debt	<u>2,718,446</u>	<u>2,466,011</u>
Total liabilities	<u>2,799,314</u>	<u>2,542,856</u>
<u>NET POSITION</u>		
Restricted	710,703	700,892
Unrestricted	<u>920,699</u>	<u>857,517</u>
Total net position	<u>\$ 1,631,402</u>	<u>\$ 1,558,409</u>

See accompanying notes.

COUNTY OF DELAWARE LOCAL DEVELOPMENT CORPORATION

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Grant income	\$ 60,081	\$ 200,032
Interest income and late fees	93,073	109,586
Parade income	-	5,650
Miscellaneous income	22	252
Loss on leasing equipment	(4,275)	(4,565)
Total operating revenues	<u>148,901</u>	<u>310,955</u>
Operating expenses:		
Interest expense and bank charges	19,436	7,589
Grants and sponsorships	36,081	191,332
Miscellaneous	10,015	10,620
Professional fees	5,200	5,000
Program expense	-	4,903
Parade expense	1,310	4,037
Other operating expenses	3,926	1,610
Total operating expenses	<u>75,968</u>	<u>225,091</u>
Operating income	72,933	85,864
Non-operating revenue:		
Investment interest	<u>60</u>	<u>69</u>
Net income	72,993	85,933
Net position - Beginning of year	<u>1,558,409</u>	<u>1,472,476</u>
NET POSITION - END OF YEAR	<u><u>\$ 1,631,402</u></u>	<u><u>\$ 1,558,409</u></u>

See accompanying notes.

COUNTY OF DELAWARE LOCAL DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Cash received from grants and donations	\$ 60,081	\$ 200,032
Payments received on loans	415,427	427,279
Other revenue received	20	5,900
Other operating payments	(20,436)	(33,758)
Issuance of loans	(298,266)	(1,351,085)
Grants issued	(36,081)	(191,332)
NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES	120,745	(942,964)
Cash flows from capital and related financing activities:		
Proceeds from USDA loan	-	118,945
Proceeds from JDA	333,333	663,333
Payments on USDA loan	(96,323)	(61,529)
NET CASH PROVIDED BY CAPITAL AND RELATED		
FINANCING ACTIVITIES	237,010	720,749
Cash flows from investing activities:		
Investment income	60	69
NET CASH PROVIDED BY INVESTING ACTIVITIES	60	69
NET INCREASE (DECREASE) IN CASH	357,815	(222,146)
Cash - Beginning of year	487,898	710,044
CASH - END OF YEAR	\$ 845,713	\$ 487,898
Reconciliation of operating income to net cash provided by operating activities:		
Net operating income	\$ 72,933	\$ 85,864
Loss on leasing equipment	4,275	4,565
Interest paid on debt	18,463	22,614
Changes in assets and liabilities:		
(Increase) decrease in loans receivable	24,089	(1,054,744)
Increase (decrease) in accounts payable and other payables	985	(1,263)
NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES	\$ 120,745	\$ (942,964)

See accompanying notes.

COUNTY OF DELAWARE LOCAL DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2020

NOTE 1 ORGANIZATION

The County of Delaware Local Development Corporation (the “LDC”), located in Delhi, New York, was incorporated in August 1998, and became active during the year ended December 31, 2000. The LDC is a non-profit organization and shares its constituency, membership and purpose with the County of Delaware Industrial Development Agency (the “IDA”).

The LDC was established to attract new industry to the County, encourage plant modernization, create job opportunities for the citizens of Delaware County, and promote commerce and industry.

Management has evaluated the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *Financial Reporting Entity*, and GASB No. 39, *Determining Whether Certain Organization Are Component Units*, an amendment of GASB No. 14. Based on the provisions of these standards, management has determined that the LDC is not a component unit of the County of Delaware Industrial Development Agency (the “IDA”).

Related Entity

The LDC has a related party relationship with the IDA. The IDA is a public benefit corporation and shares its constituency, membership and purpose with the LDC. The IDA was established June 17, 1971. There are separately issued financial statements for the IDA.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The LDC follows enterprise fund reporting. Enterprise funds are used to account for business like activities. These activities are financed primarily by user charges and the measurement of financial activity focuses on as net income measurement similar to the private sector. The following is a summary of the significant accounting policies followed in the preparation of the LDC’s financial statements.

Measurement Focus and Basis of Accounting

The LDC’s financial statements are reported using the economic resources measurement focus and the accrual method of accounting. Under this method, revenue is recognized when earned and expenses are recognized when incurred, fixed assets and land are recorded at cost. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The accounting policies of the LDC are in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The LDC reports are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, unless those pronouncements conflict with or contradict GASB pronouncements.

COUNTY OF DELAWARE LOCAL DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Cash and Cash Equivalents

For the purposes of presenting the statements of cash flows, the LDC considers all demand deposits, time and savings accounts and certificates of deposit with an original maturity of three months or less to be cash equivalents. Certificates of deposits are stated at cost plus accrued interest receivable. Such basis approximates market. Restricted cash is included.

Allowance for Uncollectible Amounts

Notes receivable are recorded at full value. Uncollectible accounts are charged to expenditures using the reserve method. The allowance for uncollectible accounts was \$51,240 as of December 31, 2020 and 2019.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Income Tax Status

The LDC is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and similar New York State laws and, as such, is not subject to Federal or State income taxes. In addition, the LDC qualifies for the charitable contribution deduction under Section 170(b)(a)(2) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The LDC reviews the components of revenues, gains, and other support and analyzes whether the position that the LDC takes with regard to a particular item of income would meet the definition of an uncertain tax position under U.S. GAAP.

The LDC files information tax returns in the U.S. Federal jurisdiction and New York State jurisdiction. The tax years that remain subject to examination by authorities are generally the previous three years.

Grant Accounting

Pass-through grants are recorded as receivables, revenues, liabilities, and expenses when awarded. All other grants are recorded as receivables and deferred revenues upon award of the contracts; revenues are recognized as the LDC meets performance requirements of the contracts.

Contributed Facilities and Services

The LDC, with the consent of the Board of Representatives of Delaware County, is authorized to use and has shared county employees, facilities, and equipment. The value of these facilities and services is not included within these financial statements.

COUNTY OF DELAWARE LOCAL DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Investment Policies

The LDC's investment policies are governed by State statutes. In addition, the LDC has its own written investment policy. LDC's monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The LDC is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and obligations of New York State or its localities.

Operating Revenues and Expenses

The LDC distinguishes operating revenues and expenses from non-operating items in its financial statements. Operating revenues and expenses generally result from providing services in connection with the LDC's principal on-going operations. The LDC's operating expenses include project and program costs and related administration expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

In addition, the LDC administers the Delaware County Rural Business Enterprise Revolving Loan Fund under a grant awarded by the United States Department of Agriculture. Funds are received by the LDC by request at the time of approval of the loan.

Net Position

The LDC reports its net position in two components. Restricted net positions are reported when assets (net of related debt) can only be used for a specified purpose that is established by grantors, contributors, laws or regulations governing the LDC. For this reason, all restricted net positions are considered expendable. Unrestricted net positions are all other LDC net assets that do not meet the definition of restricted net assets.

Events Occurring After Reporting Date

Subsequent events were evaluated through March 30, 2021 which is the date the financial statements were available to be issued.

NOTE 3 CASH AND CASH EQUIVALENTS

State statutes require that collateral be pledged for demand deposits, time deposits, and certificates of deposit at 100% of deposits not covered by the FDIC. Obligations that may be pledged as collateral are obligations of the U.S. Treasury and its agencies, obligations of the State and its municipalities, school district debt, irrevocable letters of credit and surety bonds issued by State authorized insurance companies.

The financial institutional balances, which aggregated \$845,955 and \$487,898 at December 31, 2020 and 2019, respectively, were covered by the FDIC or collateralized by securities.

COUNTY OF DELAWARE LOCAL DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2020

NOTE 4 FEDERAL AND STATE AID CONTINGENCIES

The LDC has received Federal and State Aid and Grants that are subject to audit by agencies of the Federal and State governments. Such audits may result in disallowances and a request for a return of funds to the Federal and State governments. The LDC believes disallowances, if any, will be immaterial.

NOTE 5 LOANS AND CAPITAL LEASE RECEIVABLES

Loans Receivable – Revolving Loan Funds (RLF)

Revolving loan funds allow the LDC to offer low interest loans to area businesses creating jobs in Delaware County. The proceeds of the loans are used to offer new loans once the outstanding loans have been paid in full. The activity for the year ended December 31, is as follows:

	01/01/2020		Write Offs/	12/31/2020
<u>Borrower</u>	<u>Principal</u>	<u>Advances</u>	<u>Repayments</u>	<u>Principal</u>
Alpine Roofing	\$ 105,651	\$ -	\$ (3,035)	\$ 102,616
Catskill Country Furniture	1,171	-	(1,171)	-
Club 55	59,065	-	(3,191)	55,874
Gravity Ciders	48,062	-	(3,620)	44,442
Hancock Herald	-	55,600	(797)	54,803
Masserson #2	26,607	-	(1,560)	25,047
Engel's Cabinets	223,543	-	(11,531)	212,012
Engel's Cabinet Shop II	16,621	-	(16,621)	-
PKE Industries, Inc.	67,478	-	-	67,478
Unadilla Fasteners	32,488	-	(4,041)	28,447
	<u>\$ 580,686</u>	<u>\$ 55,600</u>	<u>\$ (45,567)</u>	<u>590,719</u>
Less: Current portion				<u>(51,337)</u>
Long-term receivable				<u>\$ 539,382</u>

Loans Receivable – TIER Revolving Loan Fund

In 2008, the LDC was awarded the revolving loan funds from TIER Information & Enterprise Resources, Inc. of Binghamton, New York. The proceeds of the loans are used to offer new loans once the outstanding loans have been paid in full. The activity for the year ended December 31, is as follows:

	01/01/2020		Write Offs/	12/31/2020
<u>Borrower</u>	<u>Principal</u>	<u>Advances</u>	<u>Repayments</u>	<u>Principal</u>
Masserson #2	\$ 33,260	\$ -	\$ (1,950)	\$ 31,310
Natural Gardens	35,217	-	(884)	34,333
Spillian LLC	22,850	-	(3,481)	19,369
	<u>\$ 91,327</u>	<u>\$ -</u>	<u>\$ (6,315)</u>	<u>85,012</u>
Less: Current portion				<u>(9,665)</u>
Long-term receivable				<u>\$ 75,347</u>

COUNTY OF DELAWARE LOCAL DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2020

NOTE 5 LOANS AND CAPITAL LEASE RECEIVABLES (Cont'd.)

Loans Receivable – Intermediary Relending Program (IRP)

The USDA Intermediary Relending Program (IRP) finances business facilities and community development projects. The LDC is a qualified intermediary that lends funds to beneficiaries and establishes revolving loan funds when the outstanding loans are paid back. The activity for the year ended December 31, is as follows:

<u>Borrower</u>	<u>01/01/2020</u> <u>Principal</u>	<u>Advances</u>	<u>Write Offs/</u> <u>Repayments</u>	<u>12/31/2020</u> <u>Principal</u>
East Main Lanes	\$ 32,903	\$ -	\$ (4,289)	\$ 28,614
John Shephard	100,000	30,000	(7,973)	122,027
Catskill Country Furniture & Floor	6,045	-	(6,045)	-
Andrew Hinkley	34,378	-	(6,534)	27,844
John Finn	55,801	-	(6,689)	49,112
Lucky Dog - Hamden Inn	23,348	-	(23,348)	-
Masserson #2	19,956	-	(1,170)	18,786
Franklin Eye Wear	65,721	-	(4,293)	61,428
Natural Gardens	59,893	-	(5,747)	54,146
Molto Express	107,114	-	(1,800)	105,314
Mile Hill Properties/Tom Miner	173,822	-	(6,101)	167,721
Angus & Ale	16,815	-	(16,815)	-
Leatherstocking Timber	50,000	-	(1,492)	48,508
Delco Towing	-	26,000	(1,974)	24,026
US Custom Pad	74,993	-	(9,434)	65,559
It's Five O'Clock	98,272	-	(8,002)	90,270
Two Old Tarts	65,174	-	(27,461)	37,713
Vintage Valley Farm	18,515	-	(3,598)	14,917
Osmanli	90,864	-	(9,212)	81,652
DBRS	117,403	-	(9,760)	107,643
Markert (Eagle's Nest)	90,000	-	(2,999)	87,001
Cattleman's Steakhouse	-	62,500	(424)	62,076
Markert	60,000	-	(1,999)	58,001
K-Tooling	71,766	-	(6,259)	65,507
Natural Gardens	105,651	-	(2,651)	103,000
DBRS	67,088	-	(4,773)	62,315
724 Main Street Corp	92,012	-	(2,729)	89,283
724 Main Street Corp	138,018	-	(4,094)	133,924
Chef Deanna	109,002	-	(4,543)	104,459
Binnekill Tavern	138,606	-	(8,553)	130,053
Resch Electric	62,591	-	(2,203)	60,388
A Time to Heal (Rachel James)	46,249	-	(6,150)	40,099
	<u>\$ 2,192,000</u>	<u>\$ 118,500</u>	<u>\$ (209,114)</u>	<u>2,101,386</u>
Less: Current portion				<u>(259,827)</u>
Long-term loans receivable				<u>\$ 1,841,559</u>

COUNTY OF DELAWARE LOCAL DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2020

NOTE 5 LOANS AND CAPITAL LEASE RECEIVABLES (Cont'd.)

Loans Receivable – Agriculture Loan Fund (ALF)

The New York State Job Development Authority (JDA) Agriculture Loan Fund was created to promote access to capital for NYS agribusinesses. The LDC lends funds to eligible businesses for periods from 5 to 10 years. The activity for the year ended December 31, is as follows:

<u>Borrower</u>	<u>01/01/2020 Principal</u>	<u>Advances</u>	<u>Write Offs/ Repayments</u>	<u>12/31/2020 Principal</u>
Marion Beverages	\$ 64,049	\$ -	\$ (9,977)	\$ 54,072
Berry Brook Farm	48,100	-	(716)	47,384
Bovina Farm	70,000	-	-	70,000
Dirty Girl Farm	-	11,306	(381)	10,925
First Light Farm & Cemetery	147,712	-	(12,861)	134,851
Gravity Ciders	92,814	-	(8,446)	84,368
Greentopia	-	25,000	(1,898)	23,102
Houshmand (Scotch Valley Ranch)	98,505	-	(10,594)	87,911
Lamport Hemp Farm	-	25,000	(755)	24,245
Leatherstocking Timber	200,000	-	(5,968)	194,032
Mac's Brew Tavern	30,000	-	(2,706)	27,294
Wilson's Bread	-	61,960	(2,813)	59,147
	<u>\$ 751,180</u>	<u>\$ 123,266</u>	<u>\$ (57,115)</u>	<u>817,331</u>
Less: Current portion				<u>(159,933)</u>
Long-term receivable				<u>\$ 657,398</u>

Loans Receivable – O'Connor Foundation Agriculture Relending Program

The O'Connor Foundation approved a \$28,500 grant for the LDC on February 23, 2018 to be used towards the cost of the Agriculture Farmland Loan program. The funding went toward the cost of establishing a new low interest loan fund focused on Delaware County farmers and value added agriculture opportunities. If the funds are not utilized by February 23, 2021 the grant will automatically be rescinded per the grant agreement.

<u>Borrower</u>	<u>01/01/2020 Principal</u>	<u>Advances</u>	<u>Write Offs/ Repayments</u>	<u>12/31/2020 Principal</u>
Bovina Farm	\$ 18,669	\$ -	\$ -	\$ 18,669
Gravity Ciders	4,641	-	(423)	4,218
Cyndi Wright (Dirty Girl Farm)	6,553	-	(755)	5,798
	<u>\$ 29,863</u>	<u>\$ -</u>	<u>\$ (1,178)</u>	<u>28,685</u>
Less: Current portion				<u>(2,371)</u>
Long-term receivable				<u>\$ 26,314</u>

COUNTY OF DELAWARE LOCAL DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2020

NOTE 5 LOANS AND CAPITAL LEASE RECEIVABLES (Cont'd.)

Capital Lease Receivable – USDA RBEG Program

The LDC applies for a grant thru Rural Business Enterprise Grant program (the "Program") under the United States Department of Agriculture-Rural Development ("RD") for acquisition of certain equipment for the use and benefit of the program participants. LDC purchases the equipment, and leases it to the participant. The lease payments are reduced to 40% of what would be required to cover the entire cost of the equipment. The LDC recognizes a loss annually for the difference between the reduced lease and the full value lease. The activity for the year ended December 31, is as follows:

<u>Borrower</u>	<u>01/01/2020 Principal</u>	<u>Advances</u>	<u>Write Offs/ Repayments</u>	<u>12/31/2020 Principal</u>
Natural Gardens	\$ 7,720	\$ -	\$ (3,308)	\$ 4,412
Catskill Regional Harvest	10,400	-	(2,902)	7,498
Richard and Terry Holdridge	<u>1,429</u>	<u>900</u>	<u>(1,129)</u>	<u>1,200</u>
	<u>\$ 19,549</u>	<u>\$ 900</u>	<u>\$ (7,339)</u>	<u>13,110</u>
Less: Current portion				<u>(6,798)</u>
Long-term capital leases receivable				<u>\$ 6,312</u>

The following is a summary of loans and capital lease receivables at December 31:

	<u>2020</u>	<u>2019</u>
Revolving Loan Fund (RLF)	\$ 590,719	\$ 580,688
TIER Revolving Loan Fund	85,012	91,327
Intermediary Relending Program (IRP)	2,101,386	2,192,000
Agriculture Loan Fund (ALF)	817,331	751,180
O'Connor Loan Fund	28,685	29,863
Capital Leases Receivable – USDA RBEG Program	<u>13,110</u>	<u>19,549</u>
Total receivable	3,636,243	3,664,607
Less: Current portion	(483,133)	(495,238)
Less: Allowance for bad debts	<u>(51,240)</u>	<u>(51,240)</u>
Long-term loans and capital lease receivables	<u>\$ 3,101,870</u>	<u>\$ 3,118,129</u>

During the 2020 year, the IDA offered a deferment of payments for the months of April thru July, due to the COVID pandemic. This deferment was with no accrual of interest expense for that period. Most of the participants in the loan programs took advantage of this deferment.

COUNTY OF DELAWARE LOCAL DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2020

NOTE 6 LOANS PAYABLE

The LDC has a \$750,000 loan, with the United States Department of Agriculture for its Intermediary Relending Program. This loan has an interest rate of 1% annually. Annual loan payments of principal and interest in the amount of \$31,838 to fully amortize the loan 30 years from the origination date are payable on December 21 of each year. The loan will be paid off in 2041. The balance at December 31, 2020 and 2019 was \$599,342 and \$624,930, respectively

The LDC has a \$300,000 loan, all of which has been advanced, with the United States Department of Agriculture for its Intermediary Relending Program. This loan has an interest rate of 1% annually. Annual loan payments of principal and interest in the amount of \$12,339 to fully amortize the loan 30 years from the origination date are payable on September 19th of each year. The loan will be paid off in 2032. The balance at December 31, 2020 and 2019 was \$149,602 and \$160,338, respectively.

The LDC has a \$750,000 loan, all of which has been advanced, with the United States Department of Agriculture for its Intermediary Relending Program. This loan has an interest rate of 1% annually. Annual loan payments of principal and interest in the amount of \$30,848 to fully amortize the loan 30 years from the origination date are payable on September 26th of each year. The loan will be paid off in 2037. The balance at December 31, 2020 and 2019 was \$476,839 and \$502,661, respectively.

The LDC had a \$301,628 loan with the United States Department of Agriculture for its Intermediary Relending Program. In 2019, the LDC received cash advances of \$56,521 and \$62,424, bringing the balance on this loan to \$420,573. This loan has an interest rate of 1% annually. Annual loan payments of principal and interest due each year on September 8th will increase in 2020 to the amount of \$18,798 to fully amortize the loan 30 years from origination date. The balance at December 31, 2020 and 2019 was \$406,803 and \$420,573, respectively.

The LDC has a \$500,000 (due to JDA #1) with the New York State Job Development Authority (JDA) for its Agriculture Loan Fund program. The loan has an interest rate of 1% annually of the outstanding balance. Payments of interest are to be made semi-annually on June 30 and December 31, which began 2018. Principal payments are to be made on June 15 in the years 2023-2027 equal to one fifth of the outstanding balance. Prepayment is allowed.

The LDC has a \$663,333 (due to JDA #2) with the New York State Job Development Authority (JDA) for its Agriculture Loan Fund program. The loan has an interest rate of 1% annually of the outstanding balance. Payments of interest are to be made semi-annually on June 30 and December 31, which began 2019. Principal payments are to be made on October 31 in the years 2024, 2026 and 2028 equal to one third of the outstanding balance on June 15, 2024. Prepayment is allowed.

Interest expense incurred on these six notes totaled \$18,880 and \$7,441 for the years ended December 31, 2020 and 2019, respectively.

COUNTY OF DELAWARE LOCAL DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2020

NOTE 6 LOANS PAYABLE (Cont'd.)

Loans payable consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
USDA \$750,000 loan	\$ 599,342	\$ 624,930
USDA \$300,000 loan	149,602	160,338
USDA \$750,000 loan	476,839	502,661
USDA \$420,573 loan	406,803	420,573
Due to JDA #1	500,000	500,000
Due to JDA #2	<u>663,333</u>	<u>330,000</u>
Total loans payable	2,795,919	2,538,502
Less: Current portion	<u>(77,473)</u>	<u>(72,491)</u>
Loans payable, long-term	<u>\$ 2,718,446</u>	<u>\$ 2,466,011</u>

Current maturity of loans payable is as follows at December 31:

	<u>Principal</u>	<u>Interest</u>
2021	\$ 77,473	\$ 27,954
2022	78,277	27,189
2023	179,060	25,834
2024	400,989	24,059
2025	180,649	20,043
2026 – 2030	1,057,728	64,361
2031 – 2035	411,765	32,421
2036 – 2040	297,356	13,702
2041 – 2045	<u>112,622</u>	<u>2,580</u>
Total	<u>\$ 2,795,919</u>	<u>\$ 238,143</u>

COUNTY OF DELAWARE LOCAL DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2020

NOTE 7 RESTRICTED NET POSITION

Restricted net position consists of restricted cash and net restricted loans receivable. The LDC maintains separate cash accounts for federal funds, revolving economic development funds and microenterprise development funds.

	<u>2020</u>	<u>2019</u>
IRP Funds	\$ 362,330	\$ 306,560
RBEG Funds	38,715	33,951
Agriculture Loan Fund ALF	<u>379,700</u>	<u>86,108</u>
Total restricted cash	<u>780,745</u>	<u>426,619</u>
IRP Loans	2,101,386	2,192,000
Revolving Loan Funds (RLF)	590,719	580,688
TIER RLF	<u>85,012</u>	<u>91,327</u>
	2,777,117	2,864,015
Less: Allowance for bad debts	<u>(51,240)</u>	<u>(51,240)</u>
Total restricted loans receivable	<u>2,725,877</u>	<u>2,812,775</u>
Total restricted assets	3,506,622	3,239,394
Less: Corresponding liabilities	<u>(2,795,919)</u>	<u>(2,538,502)</u>
Restricted net position	<u>\$ 710,703</u>	<u>\$ 700,892</u>

NOTE 8 RELATED PARTY TRANSACTIONS

The LDC has a related party relationship with the County of Delaware Industrial Development Agency (the IDA). The IDA is a public benefit corporation, established June 17, 1971, to improve the quality of life in Delaware County by assisting businesses and industries for the purpose of retaining and expanding existing job opportunities, attracting new jobs, and stimulating the investment of capital in the county. There were no financial transactions between the organization for 2020 or 2019.

NOTE 9 PRIOR PERIOD ADJUSTMENT

Equipment that was purchased in 2019 to be leased to a program participant was errantly recorded as the LDC's capital assets and was depreciated. This was corrected in these financial statements in 2019. The corrections resulted in the eliminations of capital assets in the amount of \$10,062; the removal of depreciation in the amount of \$2,515; an increase in leases receivable of \$10,400; and an additional loss on leasing equipment of \$2,177. The net result of these corrections was an increase in net position of \$338.

COUNTY OF DELAWARE LOCAL DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2020

NOTE 10 CONTINGENCY

During 2020, the world was impacted by the Covid-19 Virus. Management has discussed the LDC's operations and impact of this event. They have determined that the LDC's loan portfolio could be impacted but they believe the allowance for bad debts is sufficient to cover any potential loan losses.

* * * * *

4 Associate Drive
Oneonta, New York 13820
Phone: (607) 432-8700
Fax: (607) 432-5122
www.mmscpas.com



Deborah L. Mostert, CPA
Anthony T. Manzanero, CPA
Mary E. Manzanero, CPA
David E. Brownell, CPA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
County of Delaware Local Development Corporation
Delhi, New York

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of County of Delaware Local Development Corporation (the "LDC") which comprise of the statements of net position as of and for the year ended December 31, 2020, and the related statements of revenues, expenses and changes in net position, and statements of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the LDC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the LDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the LDC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the LDC's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

MEMBERS: American Institute of Certified Public Accountants,
New York State Society of Certified Public Accountants, National Conference of CPA Practitioners

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LDC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the LDC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the LDC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the County of Delaware Local Development Corporation audit committee, management, the State of New York, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Oneonta, New York
March 30, 2021

A handwritten signature in black ink that reads "Mostert, Manzanero & Scott, LLP". The signature is written in a cursive, flowing style.